

BUSINESS WIRE

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CalSTRS Takes a Position on Sudan Divestment Legislation

SACRAMENTO, Calif.--July 14, 2006--The Teachers' Retirement Board voted to support legislation, if amended, which addresses concerns about investing in companies doing business in Sudan. The board supports the bill, Assembly Bill 2941 (Koretz D-West Hollywood), if it will indemnify CalSTRS officials and managers for divestment decisions made while applying CalSTRS' new geopolitical risk investment policy in the Sudan.

"We condemn the atrocities occurring in the Sudan," said Carolyn Widener, CalSTRS board chair. "It's an extremely difficult issue for us because as fiduciaries we are required to first consider the consequences of the unrest in the Sudan to the value of the fund. For that reason, we developed a comprehensive geopolitical risk policy we intend to use for companies doing business in the Sudan."

At their June 7 meeting, the board enhanced the Investment Policy by adding a stringent screen for 20 socio/geo-political risk factors for all investments held in the portfolio. The policy also outlines a process for engagement with companies where those factors affect the value of the investment.

The process includes:

- Directly engaging with companies that violate these policies to seek a change in corporate behaviors
- After all reasonable efforts have failed, CalSTRS will direct its managers to seek suitable alternative investment opportunities in the affected sectors consistent with CalSTRS fiduciary duties
- If a company remedies the policy violations, CalSTRS can reinvest in it

The board's vote is the culmination of CalSTRS continuing corporate governance efforts to actively engage companies that have been conducting business in Sudan and to identify the extent of their business activities and relationships with the Sudanese government. CalSTRS and other major public pension systems are part of the Sudan Coalition, whose members continue to work together to engage portfolio companies and the federal government in efforts to end suffering in Darfur.

With a \$142 billion investment portfolio, the California State Teachers' Retirement System (<http://www.calstrs.com>) is the second-largest public pension fund in the United

States. It provides retirement, disability and survivor benefits to California's 776,000 public school educators from kindergarten through community college.